

Management News

BUSINESS CONDITIONS & FORECASTS

American Management Association

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American Management Association

The President's Scratch-Pad

AMA's Future Program

While it is true that AMA conferences have been canceled, this will not mean that AMA's effectiveness as an organization will be for long greatly reduced. Here is the reason why: *the resources within the AMA are so great that the Association can successfully carry through almost any kind of emergency program that it chooses.* This is not over-confidence; it is merely unlimited faith in the abilities of the AMA membership.

The officers of the Association have agreed on one principle: *that there will be no cessation of the flow of published material to members* and that such new activities as are useful will be launched as soon as practicable. The remark of one of the officers was significant: "AMA may come out of this a better organization, more valuable to American industry, because it may adopt activities that will become a permanent part of its program." I think it will.

Many members are probably asking whether we will have regional meetings and conferences of small groups. All that can be said is that the Association will hold such meetings as are considered appropriate, provided they are consistent with the spirit of government policy on wartime conventions. It is

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Do Your Part!

If you have not already done so, please cancel immediately any railroad or hotel reservations you have made in preparation for any of AMA's canceled conferences. The meetings have been canceled to relieve the acute travel situation; do your part by cooperating with hotels and railroads.

AMA Conference Schedule Canceled To Conform with Government Order

Personnel, Packaging, Insurance, and Production Meetings To Be Omitted

AMA members were notified by special bulletin early last week that the Association's projected schedule of winter and spring conferences had been canceled in conformity with the government's order banning meetings of more than 50 persons. The Association wishes to take this opportunity to repeat this notice, so that all members who were planning to attend specific conferences may revise their own schedules accordingly and cancel their hotel and train reservations.

Finance Conference Jan. 31-Feb. 1 Will Be Held as Planned

AMA's Finance Conference, scheduled for January 31-February 1 at the Hotel Biltmore, New York City, will be held as planned since it opens before the deadline of the convention ban.

Among the featured sessions will be a panel discussion of corporate taxes after the war, the prospects and the probabilities. Speakers will be Beardsley Ruml, Treasurer, R. H. Macy & Company; Maurice Austin, Partner, Klein, Hinds & Finke, and Chairman of the Committee on Federal Taxation, American Institute of Accountants; and P. H. Littlefield, Vice President and Treasurer, Canada Dry Ginger Ale, Inc.

Discussion will explore the effects of the capital stock tax, consider prospects for the elimination of the excess profits taxes at the end of the war, and the possibility of a ceiling on corporate taxation generally. In addition, it will cover such points as: the carry-back and carry-forward provisions of the present Revenue Act, special relief clauses under Sections 721 and 722, and an equitable program of taxation for corporations and the corporate stockholder.

"Government Controls and Industry's Pricing Policies" will be considered at another panel session at which speakers will be Kenneth M. Spang, Associate Regional Price Economist, OPA;

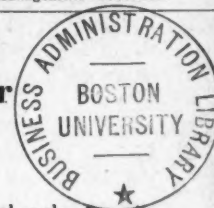
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While the order affects four of the major conferences that the Association would have held between now and June, 1945, Association officers have resolved that the flow of published information that would normally have emanated from these conferences will be continued through special research reports, additions to existing periodicals, and reports of discussions of small special groups which may meet from time to time on the current problems of members.

The Finance Conference, planned for January 31-February 1 will be held, since it falls within the permissible period. Conferences which have been canceled include Personnel, set for February 14-16; Insurance, March; the Packaging Conference and Exposition, April; and Production, May. All registration fees received for the Personnel Conference will be refunded as soon as possible.

The principal reason for the government's action is, of course, the travel and hotel situation, which at the present time is acute in many sections of the country. Further, the government foresees that the future may bring an additional strain on the nation's transportation system, and wisely is doing everything possible to forestall a crisis.

On the other hand, it is possible that the travel problem may improve in the next few months; and AMA, many of whose wartime conferences were held at the government's request, has been advised to keep in close touch with the War Committee on Conferences, and will be ready to resume its conference schedule when conditions permit.



Trends in Business

GENERAL OUTLOOK

Continuing and increasing civilian shortages, further dislocation of the civilian economy, and tighter controls all around seem likely to be the rule during 1945, or at least during the first part of it.

Along with this goes an increasing threat of inflation, as supplies become shorter and purchasing power continues at record levels. OPA is taking new steps to hold the line, but its job will be more difficult than ever during the coming months.

LABOR AND WAGES

The abnormal increase in the labor force which has characterized the war years has just about run its course, according to *Business Week*. During 1944, the number of persons in the armed forces and the labor market increased by less than 1,000,000, while the normal increase resulting from population changes is in the neighborhood of 600,000.

The total number of workers in industrial plants has dropped off some 8 per cent in the last 14 months, and the decline was pronounced in certain vital industries—metals, transportation equipment, lumber, and textiles. Principal increases were in the trade, finance, and service groups.

DISTRIBUTION

Retail sales broke all records during the Christmas buying season. Department store sales in the week ending December 23 rose to a point 35 per cent above last year's high figure.

As a consequence, stocks are badly depleted; and with textiles and many other types of consumers' goods continuing short, it is unlikely that the buying can continue at present rates for very long. Apparel supplies, it has been estimated, will be as much as 30 per cent below last year's.

Increasing shortages will be felt also in the home furnishing field. Current

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

supplies are 25 to 30 per cent below normal, and the continuing scarcity of lumber, together with the textile situation, appears to preclude improvement.

MONEY AND CREDIT

Business failures turned upward to 93 in December from the low level of 75, which had been maintained for three months. Dun & Bradstreet's insolvency index stood at 6.1, compared with 4.9 a month earlier, but well below the figure for December, 1943, when there were 145 failures.

Bank clearings in 24 cities increased 16 per cent over the November level to \$50,502,907,000, 23 per cent above the figure for the corresponding month in 1943.

CONSTRUCTION

Building permits issued in 215 cities in December were valued at \$39,279,455 (Dun & Bradstreet figures), a 59.2 per cent decrease from November, and 7 per cent below the figure for December, 1943.

Permit values for the year, however, were 60.2 per cent above those for the preceding year, totaling \$815,391,188.

PRICES

The past year has shown a slight upward tendency in prices in both wholesale and retail markets. The Bureau of Labor Statistics index of wholesale commodity prices advanced from 103.9 in August to 104.4 in mid-December (preliminary figure).

In the retail field, the advance in clothing prices over the 12-month period was about 8 per cent. OPA is now taking steps to check this rise, and to roll back prices as well.

PRODUCTION

Over-all industrial output showed little change from October to November, although output of durable goods declined somewhat. Declines occurred mainly in the iron and steel products and transportation equipment, while production of non-durable goods registered a slight advance.

NATIONAL INCOME

Total income payments to individuals totaled \$155,000,000,000 in 1944, it is now estimated, a sizable advance over 1943 when total payments were \$142,000,000,000. National income in the pre-war year of 1938 was \$66,000,000,000.

WHAT MANAGERS ARE SAYING

VETERANS

A great deal has been written about the handicapped veteran, but very little detailed information is available on methods of coping with specific types of handicaps. For example:

1. We are told to watch the veteran who has suffered from malaria very carefully. However, we cannot obtain any data, even from our local physicians, about symptoms which precede the attack and methods of coping with it when it occurs. Several of our employees who are so afflicted say that they can "feel" the sickness coming on.

2. A psychoneurotic, war weary, or shell-shocked veteran presents many problems. One of our own men who falls in this category was placed in the yard as a "hooker on." The first time he heard a battery of air hammers in the adjoining building, he instinctively fell flat on the ground. A subsequent interview revealed that the noise reminded him of machine gun fire. (Through careful handling this man has now become acclimated to the surroundings.)

3. An applicant suffering from "war nerves" asked for a job in noiseless surroundings. His nerves were so shattered that perspiration flowed off his hands, extinguishing his cigarette before it was a quarter smoked. During a 10-minute interview he perspired so excessively that there was a pool of water on my desk nine inches in diameter.—*Personnel Manager, Rubber Company.*

SMOKING

Some two years ago we repealed all rules against smoking, except in certain areas of the plant where it would constitute a fire hazard. Any employee, male or female, is privileged to smoke at any time except in those restricted areas.

Our observation has been that this move has cut the time both men and women spend in the washrooms, and that there is probably less smoking than before. I do not believe that our office operations have suffered in the least by the lifting of the ban. Further, I am very much opposed to allowing smoking in private offices and prohibiting it outside. The privilege should be granted or denied uniformly without respect to sex or status on the organization chart.

Originally we found that the prohibition of smoking resulted in clandestine evasions in the washrooms, on stairways, etc. We then attempted to restrict it to certain short periods in the morning and afternoon, but this proved difficult to enforce and resulted in some injustices. Those who were engaged with a superior at the beginning of the smoking period, for example, felt that they should have an extension. We also found that people who had not smoked in the office before did so in order to exercise their privilege.—*Secretary-Treasurer, Manufacturing Company.*

UNION NEGOTIATIONS

I think possibly a good many companies have been pushed around considerably of late by organized labor, not only because of the general labor situation, but also because they have been, after a fashion, trying to keep a clean record by settling their disputes without recourse to arbitration. I think there is a likelihood that many concerns have given ground unnecessarily.—*Vice President, Textile Company.*

RESEARCH DEPARTMENT

CITATIONS IN INDUSTRY

One of the reasons for the high morale in our armed forces is the good work being done in recognizing special achievement on the part of groups and individuals. For example, we have recently seen letters of commendation from high-ranking officers to management engineers who have given time to various branches of the service.

These engineers believe that their service in industry has been far more significant in terms of war contribution; and yet, they say, they have received not one word of commendation from anyone for it. This points up a possible source of better morale in the war production field and, therefore, a method of providing real assistance on the manpower problem.

IN EMPLOYEE MAGAZINES

It is true that the possibilities in this direction have been realized, to some extent, by house organs and employee magazines, many of which have been carrying articles designed to help employees realize the importance of their work in the war effort. Some of these employee magazines have even gone a step further and given recognition to key individuals for especially good work.

SOME EXAMPLES

An interesting sample of such material is presented by *Philnews*, house organ of the Phillips Petroleum Company in the October, 1944, number. There is an eight-page article captioned "Philnews Goes on Tour at West Edmond Field." It not only describes the work at this location, with a liberal amount of illustration, but devotes three entire pages to the work of individuals, a note in each case giving the name of the individual and the nature of his work.

The General Foods' *Newsletter* is another house organ which often gives space to pictures and notes about the work of individuals. For example, the number for November, 1944, features the "Jersey Cereal Division—Newest Member of the GF Family" with a number of interesting photographs of employees.

The *Martin Star* of the Glenn L. Martin Company is running a series of articles on key employees, printing their photographs and describing the impor-

tance of their work in considerable detail.

The house organs of the various telephone companies also have long used this technique of recognition for special achievement. Of course their material is usually more dramatic than could be found in most companies but a little imagination will help to dramatize many jobs in other lines of work.

SYSTEM OF CITATIONS

It has been suggested, however, that in addition to providing current recognition of this kind, it might be worth while to give some form of formal and permanent recognition to employees

who are doing real service to war production. The thought is that such workers should have some sort of document or award which could be preserved and would be of interest to the family in the future.

If there are any companies among the membership of the American Management Association which have plans for awards of this kind, we should like to hear about them. We believe that the details would be of interest to other companies and might stimulate further action of this kind, which would be helpful to the war effort. Please write us if you have a plan of this kind in your company, giving as much detail as you are willing to have made public. A plan can be publicized without the use of a company name, if that is preferred, although, of course, the name would add interest.

HEARD AT AMA MEETINGS

INFLATION

Greatest threat of inflation, Chester Bowles, OPA Administrator, believes, is likely to come from four to seven months after the Germans finally give in. "It will be then that the first consumer durable products come into the market in quantities far below the effective demand," he said. "It will be then that our workers will regain their confidence with jobs in peacetime industries. It will be then that the terrible threat of an inventory boom will be most potent. In this period we shall all be called upon for our greatest efforts—if inflation is to be finally licked." When supplies begin to approximate demand, he added, price controls will be eliminated first from one field and then from another.

Can we actually hold inflation in check? Can we avoid the skyrocketing prices which historically have always gone with war? "Frankly," Mr. Bowles said, "I believe we can. But let me quickly add that I am not over-confident." (*Marketing Conference, January 3-5, New York City*)

EXPORT MARKETS

Can we get along without export markets in the postwar world?

Perhaps, according to John J. Abbink, President, Business Publishers International Corporation, and Vice President and Director, McGraw-Hill Publishing Company, if we are willing to face the inevitable consequences.

"There are a few things we do not produce," Mr. Abbink said, "agricultural, mineral, and scattered industrial specialties that we could probably bargain for over a Chinese wall of seclusion."

"The dilemma that would then confront us would be threefold, in my opinion. First would be the need for the maintenance, indefinitely, of an armed force sufficient to protect us against attack by any conceivable combination of world powers. The United States represents incomparably the greatest storehouse of wealth that history has known. The temptation to seize all or parts of it would be too great to resist for nations whose record for centuries has been one of plunder."

"With a large military establishment would go, unavoidably, stringent and continued regulation by government of all business and other activity. . . .

"The third consequence . . . would be unemployment compared with which our experience in the early '30's might seem like a weekend holiday. . . . Not that I would have you believe that exports continued at levels we could reasonably expect under even the most favorable circumstances would solve all our employment problems. But a liberal attitude in this country toward foreign trade, and a genuine appreciation of its place in our economy will be indices of world prosperity, and, therefore, of our own, ten years hence." (*Marketing Conference*)

ACTIVITIES of the AMA

Personnel Conference "Proceedings" To Be Published Despite Cancellation

Speakers Will Supply Copies of Talks Which Were Scheduled for Chicago Meeting

Through the cooperation of the speakers who had accepted AMA's invitation to address the canceled Personnel Conference, February 14-16 in Chicago, AMA members will receive the "Proceedings" as usual.

These will include many distinctive papers by some of the country's leading labor relations authorities in government and industry. Among them are: Harry W. Anderson, Vice President, General Motors Corporation; Lawrence A. Appley, Vice President and Director, Vick Chemical Company; C. Canby Balderston, Dean, Wharton School of Finance & Commerce, University of Pennsylvania;

Also, Garret L. Bergen, Personnel Manager, Marshall Field & Company; Randolph S. Driver, Director, Training Division, Industrial Relations Department, The Atlantic Refining Company; Frederick H. Harbison, Executive Secretary, Industrial Relations Center, University of Chicago; Dr. L. E. Himler, Assistant Professor of Mental Health, School of Public Health, University of Michigan;

Fowler McCormick, President, International Harvester Company; Ralph M. Monk, Director of Industrial Relations, Caterpillar Tractor Company; the Hon. Wayne L. Morse, U. S. Senator from Oregon and former public member of the National War Labor Board; C. F. Mugridge, Ralph K. Rogers & Arthur J. Slade; and H. L. Nunn, President, Nunn-Bush Shoe Company;

Brigadier General William C. Rose, Chief, Executive Services, War Manpower Commission; Emerson P. Schmidt, Economist, U. S. Chamber of Commerce; William H. Spohn, Chairman, National War Labor Board Foremen Panels; John Steelman, Former Director, U. S. Conciliation Service; Dr. George W. Taylor, Vice Chairman, NWLB; Dr. Morris S. Viteles, Director of Personnel Research and Training, Philadelphia Electric Company; and Warren Whitney, Manager, National Cast Iron Pipe Company.

Not included in this list are a large number of panel speakers and chairmen, to whom AMA wishes to take this opportunity to extend its appreciation.

Few Places Still Available In Second Packaging Course

The first of two packaging courses to be held at the Forest Products Laboratory, Madison, Wis., under the joint sponsorship of AMA and the Laboratory, will open January 29. Enrollment for this course is practically complete, but a few places in the second course, February 19 to 23, are still available. Those planning to attend should make reservations at once through Henry J. Howlett, Association Secretary, if they have not already done so.

The President's Scratch-Pad

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certain, however, that there will be group activity of some sort. It is also certain that committees of executives will begin to study and report on subject matter falling within the interests of each division and these studies and discussions will, of course, be published and distributed to the appropriate divisions. Further, many of the speakers scheduled to talk have consented to prepare their papers for publication in the usual fashion.

We do not know how long the ban on conventions will apply; the Association will, however, be at all times in close touch with government travel authorities and will be ready to resume whenever conditions in railroads and hotels permit. In the meantime, AMA members can look forward in the near future to the announcement of new activities that will even more than merely tide us over this emergency period.

Alvin E. Dodd.

Finance Conference Jan. 31-Feb. 1 Will Be Held as Planned

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Howard E. Blood, President, Norge Division, Borg-Warner Corp.; Grenville R. Holden, Executive Secretary, Management Committee, Sylvania Electric Products, Inc.; and Raymond S. Perry, Olin Industries, Inc.

Other speakers and their topics will include: Henry C. Perry, Treasurer, Heywood-Wakefield Company, and AMA Vice President for the Finance and Accounts Division—"A Background for Financial Management"; George S. Dively, Vice President and General Manager, Harris-Seybold-Potter Co.—"The Treasurer's Postwar Position"; Hugh H. McGee, Vice President, Bankers Trust Company, New York—"Where Is the Money Coming From?"; Dr. Julius Hirsch, Economist—"Economic and Managerial Problems of the First Postwar Period."

Also, Mason Smith, Partner, McKinsey, Kearney & Co.—"The Reinstatement of Accounting Controls for Normal Business"; Edward N. Hay, Personnel Officer, The Pennsylvania Company—"Controlling Salary Expense"; and Harry Arthur Hopf, President, Hopf Institute of Management—"Executive Compensation and Accomplishment."

Pre-publication Prices Of Foreman's Reading Kit Are Extended to March 1

Pre-publication prices of *The Foreman's Basic Reading Kit*, AMA's forthcoming collection of management readings for supervisors, have been extended to March 1, because of a delay in printing caused by wartime labor and material shortages.

Ordered before that date, the price will be \$2.50 for one copy; \$2.25 apiece for three to ten copies; \$2 apiece for 11 to 50 copies; and \$1.75 apiece when the order is for more than 50 copies. After March 1, single copies will be \$3; three to ten copies, \$2.75; 11 to 50 copies, \$2.50; over 50 copies, \$2.25.

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